Beyond 'us' versus 'them': Why and how suppliers and corporate teams should partner for better results

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Abstract

Like many other corporate functions, the corporate real estate and facilities operations (collectively referred to as 'CRE') department relies heavily on external suppliers to provide critical services. In CRE, however, the relationships between corporate 'clients' and their outside consultants and vendors seem unusually tense and are often adversarial. To some extent, this is a result of the different mindsets and cultures that exist on different sides of the table. In the author's experience, this divide is entirely unnecessary and a serious impediment to the industry as a whole. Because the opportunities for collaboration are many and the need for strategic alignment with the business is so great, CRE leaders of all types must establish stronger, mutually beneficial relationships with their suppliers and consultants. This paper outlines the way forward. Specifically, it explores the many different areas for engagement and collaboration, showing how increased engagement and collaboration can lead to improved performance.

Keywords: effective partnerships, corporate real estate, facilities management, suppliers

INTRODUCTION

Of all the major corporate functions, the corporate real estate and facilities operations (collectively referred to as 'CRE') and information technology (IT) departments may be the ones most reliant on outside external suppliers and third-party service providers to deliver results. That reliance puts a premium on strong, mutually beneficial relationships based on open communications, shared goals and clearly defined incentives. These are the hallmarks of any good business relationship and certainly they characterise the most successful engagements in both CRE and IT. Indeed, they are why some of these relationships develop into true partnerships. The downside is the pervasive 'us' versus 'them' mentality that seems inevitably to pit corporate clients against their vendors and suppliers. Industry veterans — especially those who have worked on both sides of the divide, as the author has done — are all too familiar with the clashes that follow when relationships turn adversarial. In the author's view, this situation is both seriously unfortunate and entirely unnecessary. Indeed, the author has spent a great deal of his over two decades in CRE trying to align the interests of corporations and their suppliers. No matter where he was sitting (on the corporate side or the consulting side), he was challenged to promote collaboration and get everyone working together to move forward on a win-win course. All too often he has been tempted to cry out: 'Can't we all just get along?'

In all seriousness, the author believes that this divide is a false one and a formidable obstacle that is preventing the CRE function from realising its full strategic potential within the enterprise. In other words, it is truly a lose-lose proposition. It hinders client-side CRE leaders and teams from delivering optimal value to their business stakeholders and it hurts suppliers in that deeper engagement opportunities are lost when they are perceived as placing their own interests above the needs of their clients. As a result, it is holding back the entire industry at a time when the pendulum across corporations continues to favour outsourcing of non-core functions and operations, such as IT, transaction processing, human resources (HR), benefits administration and others. As such, there are clear opportunities for everyone in the CRE community to engage more directly with the business. Doing so will allow the strategic agenda to be more-actively shaped in terms of critical issues ranging from workplace effectiveness and innovation to sustainability and changing workforce demographics. Such an elevated role will be good for everyone involved in CRE.

The divide is also unnecessary. It seems that CRE is one of the few — perhaps even the only — corporate disciplines where switching from one side to the other is viewed sceptically. When accountants and finance executives leave a 'big four' firm to become corporate chief financial officers (CFOs), no one considers it unusual and the same rule applies in the other direction, such as when corporate counsels join private law firms, or vice versa. In all these areas, the benefits of working together are well understood. Similarly, everyone knows that the best consultants are those who have walked a mile in their clients' shoes or have client-side experience. So why is it that CRE professionals seem to assume their former colleagues become much less knowledgeable and even the enemy when they leave a corporate team to join a service provider or vice versa? After all, the certifications are the same and success is defined in quite similar terms. Both CRE teams in corporate environments and their suppliers are in the service business and ultimately serve the same master — the business. But both risk being commoditised if they continue to be viewed as mere back-office order-takers, which is why it is essential to master the fundamental service levels, while also finding ways to contribute on more strategic dimensions.

A memorable moment from early in the author's career captures this particular CRE dichotomy. At the time he was heading up the CRE operation for a large and rapidly globalising high-tech firm. His team had played an instrumental role in the development of a 10–15-year roadmap that charted the company's course to significant global expansion. The plan went far beyond real estate considerations. The company was growing so fast that an infrastructure-focused CRE strategy would not have kept pace with demand both for space and skilled resources. In addition to colleagues in HR, finance and corporate strategy, the team worked closely with a range of outside consultants and experts to build risk simulation models. Advanced planning and analytical tools were used to project future real estate and human capital needs. The team engaged with the business units to map global labour pools for advanced engineering skills and get ahead of the demand for highly skilled resources. Academic institutions and governments were partnered with to tap into their scientific and technology programmes. It was an ambitious, multi-faceted plan that set the stage for the future of the company and ultimately led to the development of dozens of new facilities and hubs around the globe.

One of the highlights of the author's career was presenting the US$5.5bn plan to the board. After his presentation was complete and the plan was approved, he was in the executive washroom. He admits to basking in what felt like a big achievement, when in walks the chairman and chief executive officer (CEO), a true legend in the technology industry. He congratulated the author in shaping the plan and winning over the board. Then, while they were washing their hands, he commented that he did not think the paper towels in the washroom were up to par. They felt like cardboard, he quipped, and could the author look into upgrading them. Many CRE veterans have similar tales. To the author, this anecdote speaks not only of the nature of CRE work, but also precisely the reason that CRE teams in corporate environments and their suppliers need each other. A broad team of resources, strong processes and the right organisation are needed to take care of the paper towels while finding ways to engage the business as strategists on critical issues like global expansion, talent management and the like.

The importance of the strategic dimension cannot be overstated for both CRE teams in corporate environments and their suppliers: if they collectively continue to focus only within their collective domain, they will never transcend the common view that they are mainly a cost centre. Except for retailers, restaurant chains and companies where real estate is truly intrinsic to the business, the CRE function cannot escape the fact that it is an overhead, which is why it must focus on enabling the business and ensuring everything it does supports performance improvement, in order to overcome mutual suspicion and learn to work together more effectively and productively on both the strategic and tactical fronts.

SETTING THE STRUCTURE FOR SUCCESS

The first step is to acknowledge the obvious. In many cases, friction comes when the corporate focus on cutting costs meets the supplier emphasis on maximising profits, which is the 'root of all evil' for many broken relationships. In some cases, that conflict is practically written into contracts, especially fixed-price or cost-plus contracts. This part of the divide must be acknowledged and rethought if the industry is to move forward and more individual accounts are to succeed. Furthermore, it is important to recognise general skills and attributes that are associated with success in these different types of roles. For service providers, the key skills are more defined, as most positions with these firms are directly related to CRE tasks and activities, which means people are able to apply their skills in transactions, lease administration, design, building management, operations, space planning, financial planning etc.

On the corporate side, the skills requirements are broadening, given the continued move towards outsourcing and building enterprise or shared services capabilities. This simply means there is less demand for hands-on knowledge of real estate and facilities management (FM) tasks, and a greater reliance on new skills such as cross-functional integration of initiatives, vendor management, governance, influence and change management, business strategy, cross-functional integration and the like. Another way to look at this is that people who love the thrill of the deal are generally better off honing their career on the supplier side, while those looking to grow into broader-based business leadership roles are better suited to corporate positions.

Forward-looking and top-performing CRE groups take advantage of relationship management best practices and advanced contracting techniques to make sure the relationship does not devolve into 'penny-wise and pound-foolish' thinking. Contracts and governance structures must be carefully designed with a long-term relationship in mind, which generally means more performance incentives and less 'gotcha' language. Flexibility is also critical, as it allows for course corrections and appropriate modifications as business conditions change or unexpected events take place, as they invariably will. More importantly, how the relationship is treated during the request for proposal (RFP) process and through negotiations will either build a foundation for a long-term partnership or a tense and potentially antagonistic relationship. The key is to use metrics that emphasise value, not just cost. For instance, Six Sigma and other advanced quality measures can be implemented on a proactive basis, via balanced scorecards, dashboards, service-level agreements (SLAs) and key performance indicators (KPIs). Benchmarking data can be incorporated into a performance management toolkit for CRE leaders. Suppliers must be open to these ideas and even should bring them to the table in the name of mutual benefits.

CRE leaders, along with their peers in FM, can demonstrate leadership by adopting supplier relationship management, sourcing best practices and sharing them across the enterprise. Specifically, CRE leaders can and should engage with their peers in HR, IT, legal and procurement to share success stories and lessons learned in areas such as governance, performance management, value-oriented metrics and creative contracting structures. For their part, consultants and suppliers also should embrace these leading practices and educate their clients. To do so persuasively requires consultants to have a deep understanding of their clients' businesses and the company's culture — ranging from the big-picture goals to the day-to-day cultural realities. There is clear upside for consultants and clients who can work together during the evaluation and contracting phases to ensure that SLAs, KPIs and other incentives are realistic and closely aligned to the most important business objectives. Such contracts provide a structural template for the rest of the organisation.

OPPORTUNITIES FOR STRATEGIC COLLABORATION

Beyond a strong foundation for the relationship, there are many more potentially high-impact areas for collaboration. The way forward is to shape the strategic agenda and contribute to the most important corporate initiatives (as CRE teams are extremely well positioned to do). Of course, this assumes that CRE executives will work in concert with their suppliers and consultants. In an industry that is undergoing rapid and profound change (as CRE is), intra-disciplinary rivalries risk undercutting the collective ability to deliver innovation and value to business stakeholders. Professionals should be collaborating to find ways to improve service levels, deliver innovation and raise the strategic profile of CRE. It is important that corporate clients, consultants and suppliers work together more effectively, because the issues on which they can and should be collaborating highlight the most important issues faced by businesses today. For example, global expansion remains a top item for CEOs, and CRE teams are well positioned to facilitate it. Ensuring the organisation can quickly and efficiently scale up operations in new geographies (not to mention the ability to simultaneously scale down in others) should be a 'sweet spot' area for collaboration with suppliers. Beyond simply procuring and standing up space, CRE leaders should turn to suppliers for creative plans for the reuse and repurposing of buildings or optimising mixed-use campuses. CRE leaders with strong communications capabilities possibly can play quasi-ambassadorial roles — both educating local suppliers about company operations and culture and informing internal audiences about business practices in the new markets.

INNOVATION

Innovation is a perennial priority on the C-level strategic agenda. Why? Because innovation is a proven driver of success across all types of industries, ranging from manufacturing and retail to biotechnology and finance. For CRE leaders, the opportunity lies in finding new ways to drive that success. Collaboration with a full range of vendors and partners is an essential element to getting there. For internal customers, innovation assumes other forms. It is about anticipating and fulfilling customer demands, while striving to create a new set of demands and experiences.

A basic example is the 'sushi' story. In the cafeteria at one of the author's former employers, the line for sushi (the premium, high-cost offering) was always much longer than those for hot meals, salad or sandwich bars. That variance had opportunity — with a capital 'O' — written all over it. To seize the opportunity, the author had to engage the company's FM and catering partners. Could delivery people be hired to bring sushi orders directly to employees' desks, rather than having them wait in line or risk them leaving the building? Could more sushi stations be added in unused areas of the cafeteria to meet peak demand? Were there other 'sushi-like' offerings that could be provided? In adversarial relationships, these questions are almost always filtered through the narrowing lens of higher costs. In this instance, the suppliers understood what the company was trying to accomplish. From the customer's perspective (ie the employees at lunchtime), there were many options to increase satisfaction. From a business perspective, offering more sushi in less time ultimately would boost employee productivity and collaboration by keeping people in the building and talking to each other. But, if only cost was considered in this equation, one would see that more sushi meant higher levels of investment — ultimately missing the bigger picture of expanding the ability to offer greater value, enhancing the employee experience and driving innovation out of a basic food offering in a cafeteria. Yes, cost pressures are real and, no, innovation does not require an unlimited budget. Necessary ingredients may include strong business cases (based on user satisfaction and other hard-to-quantify metrics) or re-allocation of resources may be required. A flexible and goal-driven relationship with vendors makes the entire process go smoother. The point is, when CRE can deliver what people want (sushi and a better, healthier dining experience) and greater value (higher-level productivity and more collaboration), the upside of innovation significantly outweighs the downside of incrementally higher costs. That is a winning business case for CRE.

TALENT MANAGEMENT

For companies all over the world, talent has become a critical differentiator. The impact for CRE groups is clear: they must help to create and support the work environments and facilities that will attract the next generation of workers and make it easier for companies to retain their most valuable workers. This is critically important given the growing workforce presence of the millennial generation. This cohort is known to place great weight on the work environment when evaluating employment options. Tomorrow's workplaces will be designed to promote collaboration, and the companies that maintain traditionally hierarchical workplaces will find themselves at a competitive disadvantage. Of course, this is not a job for CRE to take on by itself. HR teams will be involved, but suppliers and consultants can and should bring their best thinking to bear on an issue that is likely to shape the future of many companies.

Talent is essential to the success of any business entity, and CRE organisations are no exception, which is why many CRE organisations are also focused on finding new talent for their own operations and enhancing the skills of current workers so they stay current with new technologies, fresh thinking and emerging trends in the marketplace. There is much talk about the profile of tomorrow's CRE leaders, particularly whether they will emerge from other areas within the business. In this sense, the sharing of talent across the corporate-supplier divide makes sense.

TECHNOLOGY ENABLEMENT

Powerful and sophisticated technology is reshaping the CRE landscape and that is a good thing. Traditionally, CRE departments have been laggards in the adoption of enabling technology and use of data, but this is not a sustainable position. Enterprise resource planning (ERP), software as a service (SaaS), cloud-based services, business intelligence (BI) tools, integrated workplace management systems (IWMSs) and other solutions each offer distinct value for leaders who can harness tools for improved decision making, drive integration into broader enterprise systems and more-accurately measure performance. Many suppliers have firsthand knowledge of emerging toolsets or even offer their own proprietary software and solutions. Thus, they should be part of the critical technology dialogues with CRE leaders and must factor into the CRE technology roadmap, particularly given the ongoing trend towards outsourcing. It is not an overstatement to say that CRE is poised to undergo as much dramatic, technology-driven change as the finance function experienced a generation or two ago. CRE leaders in the corporate world must approach the evaluation and selection process recognising that external suppliers and consultants may very well have the answers (and toolsets) they are seeking. Thus, open and transparent discussion (not to mention information sharing) is critical.

SUSTAINABILITY

Sustainability has become a hotter topic in the C-suite as consumers shift their purchasing habits and brands are repositioned around 'green'. CRE leaders can help to shape the corporate agenda around sustainability. In fact, impressive results have been delivered in areas such as building design, energy management, utility spend consolidation, recycling and other areas. Suppliers have helped here, and will continue to play an important role as there are still plenty of opportunities beyond the achievement of Leadership in Energy and Environmental Design (LEED) certification and platinum-status buildings. The author believes there are many breakthrough innovations to come, and the surface of sustainability has only just been scratched. Such gains will come in forms ranging from big (like collaborating with manufacturing plants to devise ever-more energy-efficient and intelligent systems) to small (finding the optimal mix of recyclable materials). The bar will only continue to be raised. For example, at

PNC Bank's new headquarters in Pittsburgh, 91 per cent of the floor space can be illuminated through natural light. It bears repeating that sustainability and green have important market-facing implications. Consumers increasingly make purchasing decisions based on a brand's reputation for sustainability, fair-trade practices and the like. So this is yet another area where CRE leaders and consultants can collaborate to deliver significant value beyond cost reductions.

THINKING OF GOING FROM ONE SIDE TO THE OTHER?

What should individual CRE practitioners expect if they shift to the 'other side'? The boundaries between clients and suppliers are more fluid than ever, as many CRE and FM teams are outsourced and 'rebadged' as part of broad-based agreements. Given shrinking CRE teams at many large companies, the likelihood that one's colleague today will become a customer (or vice versa) tomorrow has increased considerably since yesterday. There are opportunities in both directions, but the 'grass is greener' syndrome must be addressed through careful consideration of questions about everything from cultural fit (can former leaders on the supplier side adjust to slower management and operational tempos and decision making by committee processes?) to capabilities (have corporate-side practitioners honed and diversified their skill sets to ensure they can compete in the next era of CRE?).

It is worth thinking about the common career paths. Many management consultants go directly from business school to a life spent mainly on the road. Quite a few love that life, but many others choose, after a few years, to join a company because it will reduce their travel and allow them to start a family. There is nearly universal consensus that consultants benefit from having corporate experience, largely because it prevents them from proposing solutions that are too theoretical or academic. The best consultants are well aware of that particular occupational hazard. On the other hand, many companies suffer from the 'not invented here' syndrome, which prevents them from embracing leading practices or operational models that have proven to work in other companies or industries. Consultants can and should serve as a source of such ideas. The author's point is there can be serious difficulties in overcoming these different perspectives, but it is well worth doing.

Like many consultants, during his time with one of the big four, he was accustomed to working from many different places. When not travelling, he often started his day at home, working productively in the early-morning hours (when he does his best heads-down thinking). On many days, the author would spend time on site with clients or working from one of his firm's several facilities in the metropolitan New York area, often culminating in team meetings at the end of the day or client events and dinners in the evening. It was a fluid set-up, and his focus was on the most important work ahead of him. In the author's experience, this is a common mindset for successful consultants. But, when he joined a Fortune 100 company, he struggled with a culture that required senior leaders to be at their desks or otherwise visible at the midtown Manhattan headquarters by 9am. He held a C-level position at the time, but had a long commute and preferred to come in by mid-morning, which meant not wasting time in traffic. And, even though he routinely stayed late into the evening and was typically the last executive to leave the building, his boss was more focused on the 'optics' of arrival times than actual outputs. It would have been much more productive for the author to do his 'heads-down' work in the early morning from his home office, as he had done throughout his consulting career. Then, he could have come into the office right after the commuter rush, around 10:30am, as opposed to wasting time in traffic. Once in the office, his position demanded 'managing by walking about', participating in meetings and connecting with people, as opposed to sitting behind a desk corresponding by e-mail or taking calls. The point is, work is something that is done, not a place to which an employee goes, and this is truer the higher up one goes in an organisation. CRE professionals considering shifting sides must be prepared to manage this sort of cultural dissonance.

Despite the conflict over the schedule, the author had a successful run at this company. As a senior executive with direct access to the CEO, he was able to serve as a true thought partner. His input was valued in thinking through how working environments could be created to help the company's creative teams do fantastic work, while also using its vast and diverse real estate portfolio to gain financial flexibility. (It is also worth noting that the CEO once came to the author with a complaint about the quality of the toilet paper in the executive washrooms. 'Why are we using two-ply instead of four-ply?' he quipped. There is that theme again!) To some degree, what the author did as a CRE leader in a corporate environment — serving as a thought partner and strategic advisor — is exactly what the best consultants do. It is the highest value role anyone in CRE can play. Here again, the author sees more similarity than difference in the corporate roles of CRE leaders and their consultants and suppliers.

CONCLUSION

The author's view is that CRE is at something of a tipping point. If the function can move beyond its traditional focus on cost (which sometimes seems more like an obsession) and the traditional 'order-taker' mentality that is pervasive in CRE, its expertise and experience could help companies to grapple with some of their most difficult challenges and seize the most urgent opportunities. In doing so, CRE could raise the profile of the discipline, which may sound ambitious, but the author believes it is possible, provided that CRE leaders and consultants in corporate environments work together towards common goals, rather than at cross-purposes. There must be recognition that the industry ground rules are being redefined. The prevalence of outsourcing, the turbulence from waves of globalisation, volatility in financial markets and ever-present pressure to cut costs have all contributed to the tense atmosphere in CRE circles. But they have challenged other corporate functions too. The evolution wrought by these macroeconomic megatrends has created new opportunities for CRE professionals on both the corporate and consulting sides. Individuals who can see the bigger picture can expand the CRE value proposition. Dynamic leaders, whether consultants or corporate executives, with strong communications skills and a clear sense of how real estate portfolios and workplace environments can help the company meet its objectives, have a clear opportunity to assume much higher profiles in the organisation, which would represent an important step forward in the evolution of the industry, which would be good for everyone in CRE.